

# PhD Seminar on Strategic Management (I): Theoretical Foundations of Strategy

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**This version: (First official draft)**

## Course instructors

**Name:** Professor Jeffrey J. Reuer, PhD (University of Colorado)  
**Tel.:** +1 (303) 735-6306  
**Mail:** jeff.reuer@gmail.com

## Location

Online (Zoom)

## Application and registration procedure

### Goal and target audience

The purpose of this course is to give doctoral candidates a grounding in theoretical and empirical research in strategic management research. During the week from July 3 to 7, 2023, the focus will be on theoretical foundations of strategy. Moreover, workshops related to developing ideas and navigating the publication process will be provided.

### Application/Registration process

Please register for the course via self-registration in Moodle  
(<https://www.moodle.tum.de/course/view.php?id=88698>)

## Course aims

### What this course is

We will begin with the foundational issues in strategy and see how the field made substantial progress by relaxing and addressing head-on a number of restrictive assumptions in mainstream economics about information, decision-making, and behavior in organizations. We will start with the early progress made by using the theories and approaches of industrial organizational economics, in addition to a number of very important (and controversial) insights that strategic management provided. We will cover a family of theories that make up so-called “organizational economics” that address key questions related to the organizational and geographic scope of the firm, and we will cover a series of competence-based, evolutionary, and learning perspectives on competitive advantage and firm dynamics. Finally, some attention will also be given to theories that are newer and have been used less often in different streams of strategy research but hold considerable promise, including information economics and real options theory. By design and necessity, breadth will be prioritized over depth, but by the end of the course you will have familiarity with a considerable body of theoretical material that has provided the bedrock for strategic management research over the past few decades. Equally important to you, all of the theories we will cover are topical and provide the basis for scholars’ research programs today.

### What this course is not

This course is not intended for students other than PhD students, as it is not a course focusing on practical applications of strategy tools, consulting models, or case studies of successful companies.

## Course objectives

### Knowledge Objectives

- Each student should have an awareness of the key research challenges and opportunities presented by the fundamental issues in strategy.
- Each student should understand the core behavioral assumptions employed in strategy and management research and how they relate to research in the disciplines.
- Each student will develop awareness of classic theoretical works that can be used in strategy and management.

### Skills Objectives

- Each student will develop the skills to evaluate the theoretical build-up of hypotheses in research in strategy and management.
- Each student will be able to compare and contrast each of the major theories used in strategic management.

### Learning Objectives

- Understand the history of the field of strategic management and its relationship to economics.
- Understand the fundamental issues in strategy and the theories used to address them.
- Understand the key assumptions underlying the theories that provide the key foundations of strategic management and how they differ.
- Understand current advances in the theoretical foundations of strategy.
- Understand limitations and opportunities associated with the key theories used in strategy research.
- Understand how the theories covered can be used in your own research.

## Preliminary schedule

Theoretical Foundations of Strategy (week of July 3, 2023; Zoom:  
<https://cuboulder.zoom.us/j/5539784611>)

1. Foundational Issues in Strategy (Monday, 15:00-18:30)
2. Industrial Organization Economics (Tuesday, 15:00-18:30)
3. Resource-Based View (Wednesday, 15:00-18:00)
4. Knowledge-Based View and Dynamic Capabilities (Wednesday, 18:30-21:30)
5. Transaction Cost Economics (Thursday, 15:00-18:30)
6. Information Economics (Friday, 15:00-18:00)
7. Real Options Theory (Friday, 18:30-21:30)

## Core readings

### Session 1: Foundational Issues in Strategy

- Rumelt, R.P., Schendel, D. E., and Teece, D. J. 1991. Strategic management and economics. *Strategic Management Journal*, 12: 5-29.
- Ghemawat, P. 2016. Evolving ideas about business strategy. *Business History Review*, Winter: 727-749.
- Leiblein, M.J., Reuer, J.J., & Zenger, T. 2018. What makes a decision strategic? *Strategy Science*, 3: 558-573.
- Leiblein, M.J., & Reuer, J.J. 2020. Foundations and futures of strategic management. *Strategic Management Review*, 1: 1-1-33.

### Session 2: Industrial Organization Economics

- Porter, M. E. 1981. The contributions of industrial organization to strategic management. *Academy of Management Review*, 6: 609-620.
- Gimeno, J., & Woo, C. 1996. Hypercompetition in a multimarket environment: The role of strategic similarity and multimarket contact on competitive de-escalation. *Organization Science*, 7: 322-341.
- Agarwal, R., Ganco, M., & Ziedonis, R. 2009. Reputations for toughness in patent enforcement: Implications for knowledge spillovers via inventor mobility. *Strategic Management Journal*, 30: 1349-1374.
- Chen, M.-J., & Miller, D. 2015. Reconceptualizing competitive dynamics research: A multidimensional framework. *Strategic Management Journal*, 36: 758-775.

### Session 3: Resource-Based View

- Barney, J.B. 1986. Strategic factor markets: Expectations, luck, and business strategy. *Management Science*, 32: 1231-1241.
- Dierickx, I., & Cool, K. 1989. Asset stock accumulation and the sustainability of competitive advantage. *Management Science*, 35: 1504-1511.
- Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120.
- Peteraf, M. 1993. The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 197-191.

### Session 4: Knowledge-Based View and Dynamic Capabilities

- Kogut, B., & Zander, U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3: 383-397.
- Teece, D. J., Pisano, G. P., & Shuen, A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal*, 18: 509-533.
- Makadok, R. 2001. Toward a synthesis of the resource-based and dynamic capability views of rent creation. *Strategic Management Journal*, 22: 387-401.
- Leiblein, M.J. 2011. What do resource-based and capability based theories propose? *Journal of Management*, 37: 909-932.

### Session 5: Transaction Cost Economics

- Williamson, O. E. 1991. Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36: 269-296.
- Williamson, O. E. 2002. The theory of the firm as governance structure: From choice to contract. *Journal of Economic Perspectives*, 16: 171-195.
- Mahoney, J.T., & Qian, L. 2013. Market frictions as building blocks of an organizational economics approach to strategic management. *Strategic Management Journal*, 34: 1019-1041.

### Session 6: Information Economics

- Akerlof, G. A. 1970. The market for 'lemons': Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84: 488-500.
- Chi, T. 1994. Trading in strategic resources: Necessary conditions, transaction cost problems, and choice of exchange structure. *Strategic Management Journal*, 15: 271-290.
- Stiglitz, J. E. 2000. The contributions of the economics of information to twentieth century economics. *Quarterly Journal of Economics*, 115: 1441-1478.
- Reuer, J. J. 2009. Organizational economics insights from acquisitions research. *Advances in Strategic Management*, 26: 241-265.

### Session 7: Real Options Theory

- Kogut, B. 1991. Joint ventures and the option to expand and acquire. *Management Science*, 37: 19-33.
- Kogut B., Kulatilaka, N. 1994. Operating flexibility, global manufacturing, and the option value of a multinational network. *Management Science*, 40: 123-139.
- McGrath R.G. 1999. Falling forward: Real options reasoning and entrepreneurial failure. *Academy of Management Review*, 24: 13-30.
- Trigeorgis, L., & Reuer, J. 2017. Real options theory in strategic management. *Strategic Management Journal*, 38: 42-63.

## Course procedures

The course will be taught using a seminar or discussion style. On any given day, students will be “discussion leaders” for the material. Some sessions will feature book reviews or discussion of classic papers. Other readings will be recent papers that I would like you to critique in-depth and use in order to identify future research directions and empirical challenges. The course is intended to be cumulative, so as we go, think across the theories and perspectives underlying strategic management research. It would be helpful for the other students if you prepared a 2-3 page document that provides a developmental review of an assigned paper (or powerpoint summary), for future use and review.

## Assessment

Your final course grade will be determined based on your attendance and active involvement in the course (pass/fail). When considering participation, I consider these questions: Is the student thoroughly prepared for all sessions? Does s/he participate actively and provide unique contributions that add value to discussions? Does the student integrate perspectives and add new insights, versus merely stating facts or repeating what authors have written?

## Workload

4 ECTS (22,5 hours lectures, 120 hours total workload)